

**City of Detroit**

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**OFFICE OF THE AUDITOR GENERAL**



**Audit of the City Planning Commission's  
Imprest Cash**

**April 2006 – March 2008**



**City of Detroit**  
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LOREN E. MONROE, CPA  
AUDITOR GENERAL

**MEMORANDUM**

**DATE:** August 8, 2008

**TO:** Honorable City Council

**FROM:** Loren E. Monroe, CPA *Loren E. Monroe*  
Auditor General

**RE:** Audit of the City Planning Commission's Imprest Cash

**CC:** Mayor Kwame M. Kilpatrick  
Marcell Todd, Jr., Director – City Planning Commission  
Norman L. White, Chief Financial Officer

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Attached for your review is our report on the audit of the City Planning Commission's Imprest Cash. This report contains our audit purpose, scope, objectives, methodology and conclusions; background; our audit findings and recommendations; other finding related to the Finance Department and the responses from the City Planning Commission and the Finance Department.

Responsibility for the installation and maintenance of a system of internal control that minimizes errors and provides reasonable safeguards rests entirely with the City Planning Commission and the Finance Department. Responsibility for monitoring the implementation of recommendations is set forth in section 4-205 of the City Charter which states in part:

Recommendations which are not put into effect by the agency shall be reviewed by the Finance Director who shall advise the Auditor General and the City Council of the action being taken with respect to the recommendations.

We would like to thank the City Planning Commission for their cooperation and assistance extended to us during this audit.

Copies of all of the Office of the Auditor General's reports can be found on our website at [http://www.ci.detroit.mi.us/legislative/CharterAppointments/AuditorGeneral/audit\\_main\\_frame.html](http://www.ci.detroit.mi.us/legislative/CharterAppointments/AuditorGeneral/audit_main_frame.html)

# **Audit of the City Planning Commission's Imprest Cash**

**April 1, 2006 – March 31, 2008**

## **CONTENTS**

	<u>Page</u>
AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS	1
BACKGROUND	3
AUDIT FINDINGS AND RECOMMENDATIONS	
1. The City Planning Commission Did Not Fully Comply with the City's Imprest Cash Policies and Procedures	4
2. The Imprest Cash Custodian Lacks Control Over the Imprest Cash Fund	6
OTHER FINDINGS RELATED TO THE FINANCE DEPARTMENT	
1. Non-compliance of the Finance Department with the City's Imprest Cash Policies and Procedures	7
2. The Finance Department Did Not Adequately Oversee the Imprest Cash Report of the City Planning Commission	8
AGENCY RESPONSES	
City Planning Commission	ATTACHMENT A
Finance Department	ATTACHMENT B

## **AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS**

### **AUDIT PURPOSE**

The audit of the City Planning Commission's Imprest Cash was performed in accordance with the Office of the Auditor General's (OAG) Charter mandate to audit the financial transactions of all City agencies at least once every two years, and report findings and recommendations to the City Council and the Mayor.

### **AUDIT SCOPE**

The scope of this audit was a review of the imprest cash fund of the City Planning Commission for the period April 1, 2006 through March 31, 2008.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external peer review of the Office of the Auditor General within the last three years.

### **AUDIT OBJECTIVES**

The overall audit objectives were:

- To determine whether the actual amount of the imprest cash fund is in agreement with the authorized amount.
- To determine whether imprest cash transactions are properly authorized.
- To determine if imprest cash is safeguarded against loss, theft, and unauthorized or improper use.
- To determine if the Department is in compliance with the Finance Department's Imprest Cash Manual, relevant Finance Directives and other Finance Department policies.
- To conduct a follow-up review of any imprest cash-related audit findings from the prior audit report.

### **AUDIT METHODOLOGY**

To accomplish our audit objectives, our audit work included:

- Review of the prior audit report of the City Planning Commission.
- Interviews with staff of the City Planning Commission, and documentation of the process for imprest cash transactions.
- Review of internal controls related to topics included in the City's Imprest Cash Manual, along with relevant Finance Directives and Finance Department procedures.
- Review of imprest cash documents from the City Planning Commission and from the Accounts Payable Section of the Finance Department.
- An unannounced count of the imprest cash funds.

- Determination of the status of the findings and recommendations related to imprest cash included in the prior audit report.
- Other audit procedures that we considered necessary to achieve our audit objectives.

## **CONCLUSIONS**

As a result of our audit we have concluded that:

- The actual amount of the imprest cash fund is not in agreement with the authorized amount.
- Imprest cash transactions were properly authorized.
- Imprest cash was adequately safeguarded.
- The City Planning Commission was not in compliance with the City's Imprest Cash Policies and Procedures or with other City procedures.
- There were no imprest cash-related findings in the prior audit report.

## BACKGROUND

The City Planning Commission (Commission) is a part of City Council. The purpose of the Commission is to advise City Council on matters pertaining to the social, physical and economic development of the City, and act as a representative of the community, serving as a conduit for opinions from the community, and proactively initiating matters for consideration by the Council.

The Commission also has responsibility for the administrative and financial processes that support its primary mission.

The Director of the Commission is Marcell Todd, Jr. who was appointed in 2007. The following table shows the budgeted appropriations, revenues, and number of staff, for the City Planning Commission, as part of City Council for the 2006-2007 and 2007-2008 fiscal years.

	<u>Fiscal Year Ended June 30</u>	
	<u>2007</u>	<u>2008</u>
Budgeted Appropriations	\$ 1,896,003	\$ 1,918,842
Budgeted Revenues	\$ 0	\$ 0
Number of Staff	15	15

The City Planning Commission has authorized imprest cash of \$400, which consists of currency only.

## **AUDIT FINDINGS AND RECOMMENDATIONS**

### **1. The City Planning Commission Did Not Fully Comply with the City's Imprest Cash Policies and Procedures**

City policies and procedures that were not adhered to include:

- The actual imprest cash fund amount is not in agreement with the authorized amount. There has been a \$1.55 overage in the imprest cash fund for several years. On May 6, 2008, a surprise cash count revealed a \$7.64 unreconciled overage in the imprest cash account.
- The Commission did not conduct quarterly independent audits of its imprest cash funds and retain written records of such audits for review by the Auditor General.
- Ninety-three percent of the receipts reviewed were not signed by the purchaser and a reason for the purchase was not always included.
- Employees receiving cash advances do not sign a "Cash Advance" form until purchase receipts are turned in.
- Reimbursement requests were not submitted within 30 days after the month end of when the purchase was made.
- The year-end closing imprest cash exhibits for fiscal years ending June 30, 2006 and June 30, 2007 did not reconcile to the authorized imprest cash amount. The imprest cash custodian did not sign the year-end closing imprest cash exhibit for fiscal year ending June 30, 2006.

The Imprest Cash Manual requires:

- At all times the imprest cash fund amount must agree with the total amount authorized.
- At a minimum, quarterly audits of the imprest cash fund must be performed and written records must be retained until the next audit by the Auditor General.
- Each invoice, sales ticket, and receipt for imprest cash purchases must show the date paid, be signed by the employee making the purchase, and clearly indicate the purpose or function of the purchase.

Finance Directive 107 states that employees receiving cash advances should sign a "Cash Advance" form until receipts are turned in.

Other City policies require that all reimbursement requests must be made within 30 days from the end of the month in which the original purchase was made.

The City's year-end closing procedures require that each agency must comply with the Finance Department's Imprest Cash Manual procedures including reconciling to the authorized imprest cash amount and returning any overages to the Treasury Department.

Imprest cash funds are susceptible to misuse, theft, and other loss. Failure to follow the controls of the Imprest Cash Manual and other relevant policies increases the risk that discrepancies, loss, or misuse of imprest cash monies will not be identified and resolved promptly.

Although the City Planning Commission's staff did have a copy of the most recent Imprest Cash Manual, they were not aware of some of the requirements. The Administrative Assistant, who does most of the purchasing, stated that she believed the Deputy Director's review and approval of the schedule of purchases was sufficient.

### **Recommendations**

We recommend that the City Planning Commission:

- Deposit the \$1.55 overage into a Treasury account and resolve the \$7.64 unreconciled overage as of May 6, 2008.
- Perform, at least quarterly, a random and independent audit of the imprest cash funds and document the results. These documents should be retained until the next audit by the Auditor General.
- Ensure that all receipts are signed by the employees making the purchases and include the reasons therefor.
- Submit all reimbursement requests within 30 days after the end of the month in which the original purchase was made.
- Comply with Finance Directive 107 by ensuring that employees receiving cash advances sign the necessary form.
- Follow the Year-End Closing guidelines.



## **2. The Imprest Cash Custodian Lacks Control Over the Imprest Cash Fund**

The Deputy Director of the City Planning Commission is the custodian of record of the Commission's imprest cash fund, but does not have custody of the fund. Instead, two Administrative Assistants of the Commission actually have physical custody of the fund.

The Imprest Cash Manual requires that an imprest cash custodian, and alternate custodian, be named in order to establish an imprest cash fund. The Imprest Cash Manual's procedures are guidelines for the imprest cash custodian or alternate custodian to follow.

Imprest cash funds are susceptible to misuse, theft, and other loss. By not having physical custody of the imprest cash fund, the custodian's control and accountability are weakened.

The City Planning Commission's imprest cash funds are kept in a locked file cabinet with the office supplies and other equipment. The two Administrative Assistants, who are responsible for distributing supplies to staff members, and the Director each have a key. The custodian does not have a key.

### **Recommendation**

We recommend that the City Planning Commission establish control over the imprest cash fund by giving only the imprest cash custodian, or alternate custodian, physical custody of the imprest cash fund.

## **OTHER FINDINGS RELATED TO THE FINANCE DEPARTMENT**

### **1. Non-Compliance of the Finance Department with the City's Imprest Cash Policies and Procedures**

The Finance Department's Accounts Payable Section processed imprest cash reimbursement requests that were not in compliance with the Imprest Cash Manual and other City policies and procedures.

Examples included:

- Reimbursement was made even though receipts were not signed and dated by the employee making the purchase and the purpose for purchase was not clearly indicated.
- Reimbursement requests submitted more than 30 days after the end of the month in which the original purchase was made were paid.

The Imprest Cash Manual requires each invoice, sales ticket, and receipt for imprest cash purchases must show the date paid, be signed by the employee making the purchase, and clearly indicate the purpose and function of the purchase.

Other City policies require that reimbursement requests be submitted within 30 days after the end of the month in which the original purchases were made.

Failure to uniformly enforce the requirements of the Imprest Cash Manual and other procedures, or document the reasons for exceptions, reduces the effectiveness of the procedures and the concurrent controls mandated.

The Finance Department stated that late imprest cash reimbursement requests are approved depending on the nature of the request and the reason it was submitted late. Enforcement of imprest cash policies and procedures has been a problem due to lack of staff. The Department said that they are working on uniformly enforcing imprest cash policies and procedures.

### **Recommendation**

We recommend that the Finance Department uniformly enforce the provisions of the City's imprest cash policies and procedures.

## **2. The Finance Department Did Not Adequately Oversee the Imprest Cash Report of the City Planning Commission**

The authorized amount of the City Planning Commission's imprest cash fund is \$400. The June 30, 2006 and June 30, 2007 year-end closing exhibits used an incorrect authorized amount of \$401.55, which included an overage of \$1.55. In addition the imprest cash custodian did not sign the June 30, 2006 year-end closing exhibit. No action was taken by the Finance Department to determine why the overage existed, why the overage had not been submitted to the Treasury Division, or why the imprest cash custodian did not sign the June 30, 2006 exhibit.

The purpose of the year-end closing exhibits is to ensure that financial data is correctly recorded in the financial records of the City. This purpose can be accomplished only if the information is reviewed and verified by the Finance Department.

Failure to adequately review the information, and follow up on discrepancies or errors, can result in erroneous information being included in the financial records of the City. It also permits errors to remain uncorrected.

It has been the intent of the Finance Department to review and verify the data on the year-end closing exhibits, but due to the requirements of completing the CAFR and the lack of Finance Department personnel, this review and verification has not been performed.

### **Recommendation**

We recommend that the Finance Department review all year-end exhibits submitted for accuracy and completeness, and contact the submitting department or agency to resolve any errors or discrepancies.

Arthur Simons  
Chairperson  
Susan Glaser  
Vice Chairperson

Marcell R. Todd, Jr.  
Director  
M. Rory Bolger, AICP  
Deputy Director

# City of Detroit

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## Attachment A

August 5, 2008

Loren E. Monroe, Auditor General  
Office of the Auditor General  
2 Woodward Avenue  
Coleman A. Young Municipal Center, Room 208  
Detroit, Michigan 48226

Dear Mr. Monroe:

The following presents the City Planning Commission's response for the indicated findings and related recommendations in the April 1, 2006 through March 31, 2008 audit of the City Planning Commission's Imprest Cash fund, as prepared by the Office of the Auditor General. Our responses include the actions taken or to be taken regarding the recommendations, and the implementation dates or the targeted implementation dates for those actions.

**Finding No. 1. The City Planning Commission did not fully comply with the City's imprest cash policies and procedures.**

***Department's Response***

Upon his retirement from City service, the previous custodian did not convey to his successor, or was not aware of, all the policies and procedures related to imprest cash. The CPC imprest cash custodian now has a copy of a 38-page document titled, Imprest Cash Procedures. (If there is a separate document outlining imprest cash policies, we have not received it.) The custodian anticipates being fully familiar with the procedures prior to September 8, 2008. The actual imprest cash fund and the authorized amount have now been reconciled. A staff person other than the custodian and the alternate custodian has been identified to conduct quarterly independent audits of the imprest cash fund and to retain written record of such audits. Purchasers of items to be reimbursed through petty cash are now signing all receipts. In the unusual event an employee receives a cash advance for a purchase from petty cash, that employee will sign a "cash advance" form. We acknowledge that reimbursement requests need to be submitted within 30 days after the month end of when a purchase was made and have already incorporated this timetable into our processing. However, the lag time between submission of a reimbursement request and actual receipt of the reimbursement makes

the timetable challenging. Finally, the custodian acknowledges proper year-end closing guidelines require the signature of the custodian.

**Finding No. 2. The Imprest Cash Custodian lacks control over the imprest cash fund.**

***Department's Response***

The custodian now possesses on his person the key to the cash box containing the fund.

Sincerely,

A handwritten signature in cursive script, appearing to read "Marcell R. Todd, Jr.", written in dark ink.

Marcell R. Todd, Jr., Director



CITY OF DETROIT  
FINANCE DEPARTMENT

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## Attachment B

August 1, 2008

Loren E. Monroe, Auditor General  
Office of the Auditor General  
2 Woodward Avenue  
Coleman A. Young Municipal Center, Room 208  
Detroit, Michigan 48226

Dear Mr. Monroe:

The following presents the Finance Department's response for the indicated findings and related recommendations in the April 2006-March 2008 audit of the City Planning Commission's Imprest Cash fund, as prepared by the Office of the Auditor General.

### Finding No. 1. Non-compliance of the Finance Department with the City's Imprest Cash Policies and Procedures

#### Department's Response

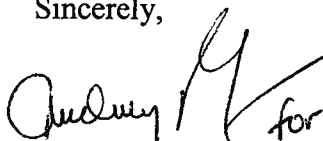
The Finance Department agrees with the Auditor General's findings and recommendations. As a result, the Finance Department will comply with the City's Imprest Cash Policies and Procedures.

### Finding No. 2. The Finance Department Did Not Adequately Oversee the Imprest Cash Report of the City Planning Commission

#### Department's Response:

The Finance Department agrees with the Auditor General's findings and recommendations. As a result, the Finance Department will adequately oversee the Imprest Cash Report of the City Planning Commission.

Sincerely,

  
Norman L. White  
Finance Director

NLW:VR:vr

Cc: Vance Russell